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EGYPTIAN ARMS DEAL & MIDDLE EAST

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State Department review completed

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E. Throughout Aug '55, US officials in Egypt were given strong direct and indirect statements by Egyptian spokesmen to the effect that Egyptians were under strong pressure from the USSR to accept Soviet aid on massive scale.

1. As an example, on 14 Aug, Ambassador Hussein (then in Cairo) told Ambassador Byroade that the USSR was making attractive arms offers, including "100 MIGs and 200 tanks."

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deadline for this process of further

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Arab "consideration" of plan by stating to Johnston that they would postpone until about 1 Mar '56 resumption of work on Israel's own alternate development project.

C. Thus, hope for a successful outcome to the development scheme appears to rest on Egyptian Premier Nasr's willingness and ability to pressure other Arab League members into a favorable decision before the Mar '56 deadline.

1. This Nasr claims he can and will do within two to three months.
2. However, Nasr's position--despite prestige he has gained from Bloc arms deal--is not yet strong enough to permit him luxury of gestures which could be interpreted by enemies at home and abroad as consiliation towards Israel.

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VI. In present picture, instability of Syria
poses particularly serious problem for
West.



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A. US Embassy Damascus, on 14 Oct,

pointed to continuing decline in stability and Western influence.

1. Embassy sees this as result of inability pro-Western elements to work together in face enthusiastic determination of neutralist and leftist Syrian elements.
2. Embassy believes leftist influence may become strong enough to defeat even a determined effort to reorient Syria toward West.

B. Present political climate in Syria is favorable to Bloc offers of aid.

C. According to story in "Alif Ba" (independent and reputable Damascus daily), Soviets and Czechs are interested in selling arms directly to Syria, rather than through Egypt.

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A side reaction has appeared in neighboring Iraq, where Prime Minister Nuri professes to be particularly alarmed by prospects of growing Communist in-

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VII. Along the "northern tier." Iran's announced intention (12 Oct) to adhere to Baghdad pact (Turkey, Iraq, Pakistan, Britian) has brought loud public objections from USSR.

A. Soviets have reiterated that Iranian adherence would violate 1921 and 1927 Iranian-Soviet friendship treaties; have hinted darkly at consequences.

B. Although no evidence that USSR plans to threaten Iran with use of force, Soviet disfavor being made clear.

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1.

Soviet members of joint commission surveying disputed border areas are treating Iranians with "coldest contempt".

2. Yesterday, US Embassy Tehran reported that, although USSR had contracted to purchase 40,000 tons of Iranian rice before Mar '56, only 5,000 tons had been contracted for to date and Sov negotiators were now obviously stalling.

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3. Since '55 rice crop now being harvested, Sov failure conclude purchases is bringing serious distress to rice farmers. Embassy requests US \$5,000,000 right away to help.

C. Nonetheless, Iranian Senate has already voted adherence to Baghdad Pact, and Majlis is expected to follow suit.

VIII. Meanwhile, one of key US schemes for development of Middle East--the unified Jordan Valley plan--has been further delayed as a result of decisions reached at the Arab League Foreign Minister's conference in Cairo (9-14 Oct).

A. This delay appears to be compromise between Arab States favoring outright rejection of Jordan plan--particularly Syria and, to a lesser extent, Lebanon--and those who favor at least giving plan further serious consideration--Egypt, Libya and possibly Iraq.

IX. Indeed, position of Premier Nasr vis-a-

vis US in past year has appeared to be puzzlingly man-sided. In conversations with US officials during entire period, Nasr has repeatedly emphasized weakness of his position, his fears of Israel and need to secure arms. These have been the factors motivating his actions.

- A. Following Israeli attack on Gaza (Feb '55), Nasr became obsessed with Egyptian need for more military equipment.
- B. The Egyptians made repeated requests for US arms aid during the past year and--started in June '55--these requests were often accompanied by reference to Nasr's "consideration" of Bloc arms offers.
- C. Nasr has repeatedly emphasized his determination not to be "taken in" by the Communists and to continue cooperating with West.

1. He told this also to Secy Allen

in Cairo in early Oct.

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D. We believe that Nasr will indeed do all he can to make his Bloc arms deal nothing but straight commercial transaction.

1. We expect he will do his best to keep Communist influence out of Egypt.

2. However, Nasr's success in doing this will depend, at least in part, on extent of pressure Bloc can now apply to him.

3. Will also depend in part on the future development of Egyptian relations with the US and the Wes

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X. In midst these tensions, Soviet Bloc has added new element by broadening Middle East aid offers from the arms to general economic help.

A. Soviet ambassador in Cairo announced on 10 Oct that USSR is ready to give all such aid Arab states may need.

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C. Czechs have asked for specifications on Lebanon's Litani River project, apparently with intent of entering the bidding.

1. US Embassy Cairo notes that USSR might back such a scheme, as alternative to stalled Jordan Valley plan.